



Financial Statements

FOR THE FINANCIAL YEAR ENDED

30 June 2018

Alfred Duma Local Municipality

Annual Financial Statements for the financial year ended 30 June 2018

General Information

Legal form of entity	Local Municipality
Members of the Council	
Mayor	Mr M V Madlala
Deputy Mayor	Ms T Hadebe
Speaker	Mr T W Ngubane
Chief Whip	Mr TB Njapha
Member of the Executive Committee	Mrs A N Khanyile
	Mr L S Madinane
	Mr A Mchunu
	Ms S Z P Msibi
	Mr S Simelane
	Mr M R Suddaby
	Mr A S D Warasally
Accounting Officer	Ms S S Ngiba
Chief Financial Officer	Mr M Hloba
Grading of local authority	4
Registered office	221 Murchison Street Lister Clarence Building Ladysmith Tel: 036-6372231 Fax: 036-6311400 E-mail: mm@alfredduma.gov.za
Postal address	PO Box 29 Ladysmith Kwazulu-Natal 3370
Bankers	ABSA - Public Sector Banking
Auditors	Auditor-General of South Africa

Alfred Duma Local Municipality

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ABBREVIATIONS

COGTA	Cooperative Governance and Traditional Affairs
COID	Compensation for Occupational Injuries and Diseases
CSC	Community Service Centre
DOHS	Department of Human Settlements
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
INEP	Integrated National Electrification Program
LUMS	Land Use Management System
MDTG	Municipal Demarcation Transition Grant
MFMA	Municipal Finance Management Act
NER	National Electricity Regulator
NJMP	Natal Joint Municipal Pension
PPE	Property, Plant and Equipment
SALGA	South African Local Government Authority
SALGBC	South African Local Government Bargaining Council
SCM	Supply Chain Management
VAT	Value Added Taxation

Alfred Duma Local Municipality

(Registration Number KZN 238)

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Accounting Officer's Responsibilities and Approval

The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial period and the results of its operations and cash flows for the period then ended.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting Officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable assurance, and not absolute, assurance against material misstatement or deficit.

The Accounting Officer has reviewed the municipality's cash flow forecast for the period to 30 June 2018 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality is wholly dependent on the income from services, rates and grants for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Alfred Duma Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

The financial statements set out on pages 1 to 59, which have been prepared on the going concern basis, and were approved by the Accounting Officer.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act (20/1998) and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.



Accounting Officer
Ms S S Ngiba

31 August 2018

Alfred Duma Local Municipality

(Registration Number KZN 238)

Annual Financial Statements for the financial year ended 30 June 2018

Statement of Financial Position

Figures in Rand	Note(s)	2018	2017 Restated
Assets			
Current Assets			
Inventories	15	44 218 911	37 323 364
Receivables from Exchange Transactions	16	40 581 775	30 619 826
Receivables from Non-Exchange Transactions	17	159 095 077	116 693 223
VAT Receivable	8	15 586 938	16 435 376
Cash and Cash Equivalents	19	274 265 932	262 207 859
		533 748 633	463 279 647
Non-Current Assets			
Property, Plant and Equipment	9	1 867 016 221	1 960 743 149
Intangible Assets	10	4 408 013	5 274 576
Investment Property	11	276 636 014	186 942 893
Heritage Assets	12	17 452 512	17 452 512
Non-Current Receivables from Exchange Transactions	14	15 414	15 414
		2 165 528 174	2 170 428 544
Total Assets		2 699 276 807	2 633 708 191
Current Liabilities			
Consumer Deposits	3	15 400 252	10 678 463
Provisions	4	2 743 444	1 298 695
Retirement Benefit Obligations	5	2 635 378	2 522 421
Trade and Other Payables	6	151 621 176	179 196 011
Unspent Conditional Grants and Receipts	7	53 391 026	25 110 353
Current Portion of Long-term Loans	2	579 003	534 661
		226 370 278	219 340 604
Non-Current Liabilities			
Long-term Loans	2	6 166 271	6 747 784
Provisions	4	59 549 364	53 254 095
Retirement Benefit Obligations	5	25 543 310	27 374 592
		91 258 944	87 376 472
Total Liabilities		317 629 222	306 717 076
Net Assets		2 381 647 585	2 326 991 115
Net Assets			
Housing Operating Account (HDF)	1	30 406 499	28 274 142
Accumulated Surplus		2 351 241 085	2 298 716 973
Total Net Assets		2 381 647 585	2 326 991 115

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Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated (10 August 2016 to 30 June 2017)
Revenue			
Revenue from non-exchange transactions			
Property Rates	20	174 536 032	121 762 227
Property Rates - Penalties / Interest		18 726 756	12 746 779
Fines		9 895 140	9 034 316
Licences and Permits		5 544 282	4 944 826
Government Grants and Subsidies	22	282 786 253	297 538 072
Total revenue from non-exchange transactions		491 488 462	446 026 221
Revenue from exchange transactions			
Service Charges	21	332 059 519	298 088 023
Rental of facilities and equipment		2 979 758	2 374 644
Interest Earned - External Investments and Other		15 236 453	15 029 028
Interest Earned - Outstanding Receivables		4 647 466	3 038 004
Other Income	33	5 363 872	6 398 831
Total revenue from exchange transactions		360 287 068	324 928 530
Total Revenue		851 775 530	770 954 750
Expenditure			
Employee Related Costs	23	259 032 032	212 482 749
Remuneration of Councillors	24	24 350 926	19 752 349
Bad Debts		42 188 639	49 695 461
Depreciation and Amortisation Expense		169 372 713	105 796 989
Finance Costs	25	513 446	499 466
Bulk Purchases	26	208 831 186	178 560 755
Contracted Services	27	34 242 732	22 456 168
General Expenses	28	148 133 719	132 438 747
Total Expenditure		886 665 394	721 682 684
Operating surplus		-34 889 863	49 272 066
Other Gains / Losses			
Gain / (Loss) on sale/disposal of assets		-5 817 036	-2 849 313
Gain / (Loss) on fair value adjustment		92 301 000	-6 553 388
Inventories: Write-down to net realisable value		273 983	-605 454
(Impairment Loss) / Reversal of impairment loss		486 076	-30 384 768
Surplus / (Deficit) for the period		52 354 160	8 879 143

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Statement of Changes in Net Assets

Figures in Rand	Housing Operating Account (HDF)	Accumulated Surplus	Total Net Assets
Opening Balance - 10 August 2016	26 681 074	1 770 013 525	1 796 694 599
Adjustments to Opening Balance			
- Trade and Other Payables	-	12 754 921	12 754 921
- Receivables from Non- Exchange Transactions	-	11 675 697	11 675 697
- Inventories	-	-1 625 893	-1 625 893
- Investment Property	-	68 751 103	68 751 103
- Property, Plant and Equipment - Infrastructure	-	341 663 882	341 663 882
- Property, Plant and Equipment - Community	-	38 790 419	38 790 419
- Property, Plant and Equipment - Other	-	-19 144 372	-19 144 372
- Property, Plant and Equipment - Land	-	66 095 964	66 095 964
- Intangible Assets	-	-151 224	-151 224
Opening Balance - Restated	26 681 074	2 288 824 021	2 315 505 095
Surplus for the year	-	8 879 143	8 879 143
Other Transfers to Internal Funds	-	-	-
Transfer to Self-Insurance Fund	-	1 013 808	1 013 808
Transfer to Housing Development Fund	1 593 068	-	1 593 068
Balance at 30 June 2017	28 274 142	2 298 716 973	2 326 991 115
Surplus for the year	-	52 354 160	52 354 160
Other Transfers to Internal Funds	-	-	-
Transfer to Self-Insurance Fund	-	169 953	169 953
Transfer to Housing Development Fund	2 132 357	-	2 132 357
Balance at 30 June 2018	30 406 499	2 351 241 085	2 381 647 585

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Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated (10 August 2016 to 30 June 2017)
Cash flows from operating activities			
Receipts			
Sale of goods and services		461 539 093	402 313 991
Grants		328 666 601	309 043 920
Interest received		15 236 453	15 029 028
Other receipts		5 363 872	6 398 831
		<u>810 806 019</u>	<u>732 785 769</u>
Payments			
Employee costs		-283 290 354	-232 235 098
Suppliers		-434 259 276	-270 943 914
Interest paid		-513 446	-499 466
Other payments		-	-12 930 209
		<u>-718 063 077</u>	<u>-516 608 687</u>
Net cash flows from operating activities	29	<u>92 742 942</u>	<u>216 177 082</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		-79 996 198	-185 537 874
Purchase of investment property		-	-
Purchase of intangible assets		-151 499	-792 422
Purchase of heritage assets		-	-
Proceeds on sale of assets		-	-802 632
Net cash flows from investing activities		<u>-80 147 697</u>	<u>-187 132 927</u>
Cash flows from financing activities			
New loans raised/(repaid)		-537 172	-453 646
Finance lease raised/(repaid)		-	-
Net cash flows from financing activities		<u>-537 172</u>	<u>-453 646</u>
Net increase / (decrease) in cash and cash equivalents		12 058 073	28 590 509
Cash and cash equivalents at the beginning of the period		262 207 859	233 617 350
Cash and cash equivalents at the end of the period	19	<u>274 265 932</u>	<u>262 207 859</u>

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(Registration Number KZN238)

Annual Financial Statements for the financial year ended 30 June 2018

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved Budget	Budget Adjustments (i.e. s28 & s31 of the MFMA)	Virements (i.e. Council Approved Policy)	Approved Final Budget	Actual	Variance Actual vs Final Budget	Actual Outcome as % of Original Budget	Actual Outcome as % of Final Budget
Financial Performance								
Property Rates	166 863 672	4 790 407	-	171 654 079	174 536 032	2 881 953	104.60%	101.68%
Property Rates - Penalties / Interest	5 569 068	14 167 473	-	19 736 541	18 726 756	-1 009 785	336.26%	94.88%
Services Charges	333 631 692	-1 912 503	-	331 719 189	332 059 519	340 330	98.53%	100.10%
Rental of Facilities and Equipment	2 787 636	254 615	-	3 042 251	2 979 758	-62 493	106.89%	97.95%
Interest Earned - External Investments	15 076 340	-1 364 731	-	13 711 609	15 236 453	1 524 844	101.06%	111.12%
Interest Earned - Outstanding Receivables	2 736 576	1 504 618	-	4 241 194	4 647 466	406 272	169.83%	109.58%
Fines	10 660 692	1 960 921	-	12 621 613	9 895 140	-2 726 473	92.82%	78.40%
Licences and Permits	6 047 124	-893 576	-	5 153 548	5 544 282	390 734	91.68%	107.58%
Transfers and Grants Recognised - Operational	212 960 000	9 768 429	-	222 728 429	220 037 253	-2 691 176	103.32%	98.79%
Other Income and Profit on Fair Value Adjustments	3 652 936	319 940	-	3 972 876	97 664 872	93 691 996	2673.60%	2458.29%
Total Revenue (Excl. Capital Transfers & Contributions)	759 865 736	28 595 593	-	788 581 329	881 327 531	92 746 202	115.97%	111.78%
Employee Related Costs	274 251 828	-27 705	-17 000	274 207 123	259 032 032	-15 175 091	94.45%	94.47%
Remuneration of Councillors	24 739 116	193 178	-	24 932 294	24 350 926	-581 368	98.43%	97.67%
Bad Debts	37 662 072	16 421 769	-	54 083 841	42 188 639	-11 895 202	112.02%	78.01%
Depreciation and Amortisation Expense	69 531 072	105 251 861	-	174 782 933	169 372 713	-5 410 220	243.59%	96.90%
Finance Costs	492 756	18 777	-	511 533	513 446	1 913	104.20%	100.37%
Bulk Purchases	204 141 924	4 691 874	-	208 833 798	208 831 186	-2 612	102.30%	100.00%
Contracted Services	14 929 320	3 911 321	-977 900	17 862 741	34 242 732	16 379 991	229.37%	191.70%
Impairment Loss	1 943 316	756 684	-	2 700 000	-486 076	-3 186 076	-25.01%	-18.00%
Loss on Disposal of PPE	-	-	-	-	5 817 036	5 817 036	0.00%	0.00%
Inventories: Write-down to Net Realisable Value	-	-	-	-	-273 983	-273 983	0.00%	0.00%
Other Expenditure	155 150 886	3 384 763	994 900	159 530 551	148 133 719	-11 396 832	95.48%	92.86%
Total Expenditure	782 842 292	134 602 522	-	917 444 814	891 722 370	-25 722 444	113.91%	97.20%
Surplus/(Deficit)	-22 856 556	-106 006 929	-	-128 863 485	-10 394 840	118 468 645	45.48%	8.07%
Transfers Recognised - Capital	77 749 000	-11 607 273	-	66 141 727	62 749 000	-3 392 727	80.71%	94.87%
Contributions Recognised - Capital	-	-	-	-	-	-	0.00%	0.00%
Surplus/(Deficit) After Capital Transfers & Contributions	54 892 444	-117 614 202	-	-62 721 758	52 354 160	115 075 918	95.38%	-83.47%
Capital Expenditure and Funds Sources								
Capital Expenditure								
Transfers Recognised - Capital	77 749 000	-11 607 273	-	66 141 727	62 749 000	-3 392 727	80.71%	94.87%
Public Contributions and Donations	-	-	-	-	-	-	0.00%	0.00%
Borrowing	-	-	-	-	-	-	0.00%	0.00%
Internally Generated Funds	11 888 997	9 923 213	-	21 812 210	17 247 198	-4 565 012	145.07%	79.07%
Total Sources of Capital Funds	89 637 997	-1 684 060	-	87 953 937	79 996 198	-7 957 739	89.24%	90.95%

Accounting Policies

1. BASIS OF PREPARATION

1.1 BASIS OF PRESENTATION

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost conventions as the basis of measurement, except where specified otherwise.

These financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), including any interpretations and directives issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

Accounting policies for material transactions, events or conditions not covered by the GRAP reporting framework, have been developed in accordance with paragraph 8, 10 and 11 of GRAP 3 (Revised – March 2012) and the hierarchy approved in Directive 5 issued by the Accounting Standards Board.

A summary of the significant accounting policies, which have been consistently applied except where an exemption has been granted, are disclosed below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.2 PRESENTATION CURRENCY

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in the Statement of Comparison of Budget with Actual Information.

When the presentation or classification of items in the financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, with the opening balances have been restated accordingly.

The financial statements comparative information in terms of revenue and expenditure for the previous financial period, is disclosed from the date of establishment of the Alfred Duma Local Municipality for the period 10 August 2016 to 30 June 2017.

Alfred Duma Local Municipality

(Registration Number KZN 238)

Financial Statements for the financial year ended 30 June 2018

Accounting Policies

2. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

3. INTERNAL RESERVES

Self Insurance Reserve

The municipality has a Self-Insurance Reserve to set aside amounts to offset potential losses or claims that cannot be insured externally (excess payments). Premiums are charged to the respective services, taking into account, claims history and replacement values of the insured assets. The balance of the self-insurance fund is ring-fenced within the accumulated surplus/(deficit).

The Council determines annually the amount to contribute to the Self Insurance Reserve.

Claims not fully covered by external insurance are financed from the insurance reserve by transferring a corresponding amount from the self-insurance reserve to the accumulated surplus.

The municipality operates a self-insurance scheme under the Self-Insurance Reserve, which has a policy that is aligned with the practice in the Insurance Industry. The balance of the Self-Insurance Reserve is determined based on surpluses accumulated since inception.

These surpluses arise from the differences between premiums charged against claims paid and various administrative expenditure incurred.

At the end of each financial year the surplus as computed per above is transferred from accumulated surplus to Self-Insurance Reserve.

The balance of the self-insurance fund is fully cash backed and is invested in a separate call account.

4. PROPERTY, PLANT AND EQUIPMENT

4.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

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Accounting Policies

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost).

If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

4.2 SUBSEQUENT MEASUREMENT – COST MODEL

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated as it is deemed to have an indefinite useful life.

Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset.

4.3 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on cost less residual value, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. Land is not depreciated as it is deemed to have an indefinite useful life.

The annual depreciation rates are based on the following estimated average asset lives:

DETAILS	YEARS	DETAILS	YEARS
Infrastructure		Other	
Roads and Paving	5 - 100	Buildings	10 – 50
Pedestrian Malls	20	Specialised Vehicles	3 – 20
Electricity	10 – 50	Other Vehicles	3 – 20
Housing	30	Office Equipment	5 – 7
Stormwater	100	Furniture and Fittings	10
		Watercraft	15
Community		Bins and Containers	5 – 10
Buildings	10 – 50	Specialised Plant and Equipment	5 – 15
Recreational Facilities	10 – 100	Other Items of Plant and Equipment	5 – 15
Security	3 – 5	Landfill sites	15

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Accounting Policies

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount (or recoverable service amount), it is written down to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

4.4 DERECOGNITION

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4.5 INCOMPLETE CONSTRUCTION WORK

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

5. INVESTMENT PROPERTY

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired at no cost or for a nominal cost, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

5.1 FAIR VALUE

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

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Financial Statements for the financial year ended 30 June 2018

Accounting Policies

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the fair value of investment property under construction is not determinable, it is measured at cost until the earlier of the date it becomes determinable or construction is complete.

6. INTANGIBLE ASSETS

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight-line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result, the

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asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Useful life
Servitudes	indefinite
Software	3 years

7. HERITAGE ASSETS

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

7.1 INITIAL RECOGNITION

A heritage asset that qualifies for recognition as an asset is measured at its cost and any costs directly attributable to bringing the heritage asset to the location and condition necessary for it to be capable of operating in the manner intended by the Municipality.

Where a heritage asset is acquired through a non-exchange transaction, its deemed cost is to be measured at its fair value as at the date of acquisition.

7.2 SUBSEQUENT MEASUREMENT

Subsequent to initial recognition, heritage assets are measured at cost less accumulated impairment losses.

7.3 DEPRECIATION AND IMPAIRMENT

Heritage assets are not depreciated but assessed at each reporting date whether there is an indication that it may be impaired.

7.4 DERECOGNITION

Heritage assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use or disposal of the asset. The gain or loss arising on the disposal or retirement of a heritage asset is recognised in the Statement of Financial Performance.

8. IMPAIRMENT OF ASSETS

8.1 CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

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If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

An impairment loss is recognized for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

8.2 NON-CASH GENERATING ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortization is recognized in surplus or deficit.

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An impairment loss is recognized for non-cash generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- To the assets of the unit, pro-rata on the basis of the carrying amount of each asset in the unit.

The municipality assesses at each reporting date whether there is any indication that an impairment loss recognized in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization is recognized in surplus or deficit.

9. INVENTORIES

9.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale in terms of land, and consumable items for consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

9.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the weighted average method.

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10. FINANCIAL INSTRUMENTS

10.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

10.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale.

Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

10.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

10.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 1 month from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

10.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value, less trade discounts, if applicable, and subsequently measured at

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amortised cost which is the initial carrying amount, less repayments, plus interest.

10.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of four months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

11. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

12. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

13. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

14. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

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Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

15. LEASES

15.1 Finance Leases – The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

15.2 Operating Leases – The Municipality as Lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases are charged to the statement of financial performance on a straight-line basis over the period of the lease.

15.3 Operating Leases – The Municipality as Lessor

Assets leased to third parties under operating leases are included in investment properties and property, plant and equipment in the statement of financial position. They are depreciated over their expected useful lives on a basis consistent with similar owned investment properties and property, plant and equipment, where applicable. Rental income is recognized over the lease term.

16. REVENUE

16.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

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Service charges relating to electricity are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods are passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

16.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Fines are economic benefits or service potential received or receivable by the municipality as a consequence of the individual or entity breaching the requirements of laws or regulations.

The full amount of traffic fines issued during the year is recognized at the initial transaction date as revenue in accordance with IGRAP1.

Assessing and recognizing impairment is an event that takes place subsequent to the initial recognition of revenue charged. The municipality assesses the probability of collecting revenue when accounts fall into arrears based on historic trends.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment

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qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, the revenue is recognized as unspent grants, as current liabilities.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

16.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

The Municipality acts as an agent in a principal / agent relationship with the Department of Human Settlement for the construction of RDP Houses. Transfers are made to the Municipality for approved housing projects from the Department of Human Settlement, and the Municipality releases payments from these transfers to the Implementing Agent for construction of RDP Houses. The transfers are recognized as Unspent Conditional Grants and Receipts in the Statement of Financial Position, and the revenue is only recognized in the Statement of Financial Performance once payments to the Implementing Agents are made upon handover of the houses to the beneficiaries.

17. BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

18. RETIREMENT BENEFITS

The municipality provides retirement benefits for its employees and councillors. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The defined benefit funds, which are administered on a provincial basis, are actuarially valued triennially on the projected unit credit method basis. Deficits identified are recognised as a liability and are recovered through lump sum payments or increased future contributions on a proportional basis to all participating municipalities. Specific actuarial information in respect of individual participating municipalities is unavailable due to centralised administration of these funds. As a result, defined benefit plans have been accounted for as if they were defined contribution plans.

Other post-employment benefit obligations

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The municipality provides post-retirement healthcare benefits to its retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. This benefit has since been restricted to persons 50 years and older of age as at 1 July 2005. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year they become payable. The expected costs of these benefits will be accrued over the period of employment using an accounting methodology similar to that used for defined benefit pension plans. Actuarial gains and losses arising and changes in actuarial assumptions, are charged or credited to income over the expected average remaining working lives of the relevant employees.

19. KEY SOURCES OF ESTIMATION, UNCERTAINTY AND JUDGEMENTS

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures, use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade Receivables

The municipality assesses its trade receivables for impairment at the end of each financial year for non-collectability. In determining whether an impairment should be recorded in surplus or deficit. Judgements are made as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

Provisions

Provisions were raised and management used experts to determine an estimate based on information available. Additional disclosure of these estimates of provisions are included in note 4 on Provisions.

Post Retirement Benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact on the carrying amount of post retirement obligation.

The municipality obtains an actuarial valuation of its post retirement healthcare benefit and disclosure of this obligation is included in note 5 on Retirement Benefit Obligations.

Allowance for Doubtful Debts

On debtors an impairment loss is recognised where there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows. In making the estimation of the impairment, management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39 – *Financial Instruments – Recognition and Measurement*.

Useful Lives of Property, Plant and Equipment

The municipality depreciates / amortises its property, plant and equipment, investment property and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when assets are available for use. The useful lives and residual lives are based on industry standards.

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Impairment of Property, Plant and Equipment & Inventory

Estimates and judgements are made relating to property, plant and equipment for impairment testing and write-down of inventories to net realisable value as described in accounting policy 9 and 15 respectively.

20. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel are defined as the Municipal Manager, Chief Financial Officer, and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

21. COMMITMENTS

Commitments are future expenses and liabilities to be incurred on contracts that have been entered into at the reporting date.

The amount of capital commitments and other operating commitments contracted for at the reporting date, and which have not been recognised as liabilities are disclosed by way of note.

22. BUDGET INFORMATION

The budget figures have been prepared in accordance with the GRAP standards, and are consistent with the accounting policies used for the preparation of these financial statements. The amounts are scheduled as separate additional columns in the Statement of Comparison of Budget with Actual Information. These figures are those approved by the Council at the beginning and during the year following a period of consultation with the public as part of the Integrated Development Plan (IDP).

23. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that are classified as adjusting events have been accounted for in the Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Financial Statements.

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1. Housing Development Fund

Unappropriated Surplus/(Deficit)	-16 718 003	-18 850 360
Loans extinguished by Government on 1 April 1998	47 124 502	47 124 502
	30 406 499	28 274 142

The Housing Operating Account is represented by the following assets and liabilities:

Housing selling scheme loans	2 649 865	2 856 085
Bank and cash	27 756 635	25 418 058
	30 406 499	28 274 142

2. Long-term Loans

Loans	6 745 273	7 282 446
Less : Current portion transferred to current liabilities	-579 003	-534 661
	6 166 271	6 747 784

Refer to Appendix A for more detail on long-term loans

3. Consumer Deposits

Electricity	10 112 325	9 997 798
Refuse	5 287 928	680 665
	15 400 252	10 678 463

Interest is not paid on Consumer Deposits

Guarantees held in lieu of Electricity Deposits totals R 7 139 425 (2017: R 6 394 855)

4. Provisions

Non-Current

4.1 Environmental Rehabilitation

Ladysmith Waste Disposal Site

Balance at beginning of period	36 248 893	30 072 155
Contribution to provision	10 868 429	6 176 739
	47 117 323	36 248 893

Indaka Waste Disposal Site

Balance at beginning of period	9 139 176	1 799 373
Change in provision	-4 939 342	7 339 803
	4 199 834	9 139 176

51 317 157 **45 388 070**

Provision for reclamation of refuse landfill sites. In terms of the licencing of the refuse landfill sites, council will incur rehabilitation estimation costs of R 51 317 157, calculated as at 30 June 2018, (2017: R 45 388 070) to restore the sites at the end of their respective useful life.

The calculation is based on the total actual area of the Landfill sites which is in use and unrehabilitated multiplied by the last known actual rehabilitation cost per hectare escalated to current cost.

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4. Provisions (Continued)

Current

4.2 Performance Bonuses

Balance at beginning of period	700 141	529 650
Contribution to provision	657 524	714 010
Expenditure incurred	-	-543 519
	1 357 666	700 141

Performance bonuses are paid to the Municipal Manager and Section 56 Managers after an evaluation by the Council. No bonuses were paid during the 2017/2018 financial year. The bonuses relating to the 2016/2017 financial year performance outcomes were paid on 31 July 2018 totalling R 607 361.

4.3 Long Service Awards

The Long Service Awards is a defined benefit plan. The Municipality offers employees Long Service Awards for every five years of continuous service completed, from 10 years to 45 years of service, inclusive. As at 30 June 2018, 813 (2017: 797) employees were eligible for Long Service Awards.

Completed Service (in years)	Long Service Bonuses (% of Annual Salary)	Description
10	4.0%	10 / 250 x Annual Salary
15	8.0%	20 / 250 x Annual Salary
20, 25, 30, 35, 40, 45	12.0%	30 / 250 x Annual Salary

In the month that each "Completed Service" milestone is reached, the employee is granted a Long Service Award. Working days awarded are valued at 1/250th of annual salary per day.

The amounts recognised on the Statement of Financial Position are as follows:

Fair Value of Plan Assets		
Accrued Liability	9 617 985	8 464 580
Unfunded Accrued Liability	9 617 985	8 464 580
Unrecognised Transitional Liability		
Unrecognised Actuarial Gains/(Losses)		
Unrecognised Past Service Cost		
Net Liability in Statement of Financial Position	9 617 985	8 464 580

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	8 464 580	8 576 187
Current service cost	872 937	898 363
Interest cost	689 721	685 432
Actual benefits paid	-564 012	-1 284 941
Actuarial loss / (gain)	154 759	-410 461
Closing Balance	9 617 985	8 464 580
Current Portion of Liability	1 385 778	598 554
Non-Current Portion of Liability	8 232 207	7 866 026
	9 617 985	8 464 580

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	872 937	898 363
Interest cost	689 721	685 432
Actuarial loss / (gain) recognised	154 759	-410 461
Total Included in Statement of Financial Performance	1 717 417	1 173 334

Statistical information used to calculate the valuation is based on 30 June 2018 assumptions.

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4. Provisions (Continued)

Key Financial Assumptions Used

30 June 2018

Assumption	Value p.a.
Discount Rate	8.49%
General Salary Inflation (long-term)	6.11%
Net Effective discount rate	2.24%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

The liability-weighted average term of the total liability is 6.46 years.

30 June 2017

Assumption	Value p.a.
Discount Rate	8.44%
General Salary Inflation (long-term)	6.26%
Net Effective discount rate	2.05%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

The liability-weighted average term of the total liability is 6.91 years.

Key Demographic Assumptions Used

30 June 2018

Average retirement age 60
Mortality during employment SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	12%	18%
40	8%	10%
50	4%	4%
55	2%	2%

30 June 2017

Average retirement age 60
Mortality during employment SA 85 - 90

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	12%	18%
40	8%	10%
50	4%	4%
55	2%	2%

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4. Provisions (Continued)

Sensitivity Analysis

Sensitivity Analysis on Interest Costs for the year ending 30 June 2019

Assumption	Change	Liability	% Change
Central assumptions		9.618	
General salary inflation	+1%	10.181	6%
	-1%	9.105	-5%
Discount Rate	+1%	9.076	-6%
	-1%	10.224	6%
Average retirement age	-2 yrs	8.502	-12%
	+2 yrs	10.878	13%
Withdrawal rates	-50%	11.796	23%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R945 800	R758 900	R1 704 700	
General salary inflation	+1%	R1 022 500	R806 700	R1 829 200	7%
	-1%	R877 100	R715 400	R1 592 500	-7%
Discount Rate	+1%	R882 300	R797 000	R1 679 300	-1%
	-1%	R1 017 700	R714 900	R1 732 600	2%
Average retirement age	-2 yrs	R851 800	R668 900	R1 520 700	-11%
	+2 yrs	R1 042 100	R863 800	R1 905 900	12%
Withdrawal rates	-50%	R1 307 100	R943 800	R2 250 900	32%

Sensitivity Analysis on Interest Costs for the year ending 30 June 2018

Assumption	Change	Liability	% Change
Central assumptions		8.465	
General salary inflation	+1%	8.996	6%
	-1%	7.980	-6%
Discount Rate	+1%	7.954	-6%
	-1%	9.036	7%
Average retirement age	-2 yrs	7.489	-12%
	+2 yrs	9.628	14%
Withdrawal rates	-50%	10.558	25%

Assumption	Change	Current Service Cost	Interest Cost	Total	% Change
Central assumptions		R872 900	R689 700	R1 562 600	
General salary inflation	+1%	R946 600	R734 600	R1 681 200	8%
	-1%	R807 100	R648 900	R1 456 000	-7%
Discount Rate	+1%	R811 900	R723 300	R1 535 200	-2%
	-1%	R942 300	R650 500	R1 592 800	2%
Average retirement age	-2 yrs	R786 100	R607 400	R1 393 500	-11%
	+2 yrs	R963 400	R786 900	R1 750 300	12%
Withdrawal rates	-50%	R1 229 400	R866 400	R2 095 800	34%

Trend Information

30 June 2018

	Year Ending 30/06/2018	Year Ending 30/06/2019	Year Ending 30/06/2020
Opening Accrued Liability	R8 464 580	R9 617 985	R9 936 969
Current-service Cost	R872 937	R945 823	R1 026 123
Interest Cost	R689 721	R758 939	R782 114
Benefit Vestings	-R564 012	-R1 385 778	-R1 479 712
Total Annual Expense	R998 646	R318 984	R328 525
Actuarial Loss / (Gain)	R154 759		
Closing Accrued Liability	R9 617 985	R9 936 969	R10 265 494

The Municipality expects to pay R 1 385 778 for long-service leave benefits in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC.

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The full actuarial valuation report as at 30 June 2018 is available on request.

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4. Provisions (Continued)

30 June 2017

	Year Ending 30/06/2017	Year Ending 30/06/2018	Year Ending 30/06/2019
Opening Accrued Liability	R8 576 187	R8 464 580	R9 428 684
Current-service Cost	R898 363	R872 937	R946 619
Interest Cost	R685 432	R689 721	R744 984
Benefit Vestings	-R1 284 941	-R598 554	-R1 230 137
Total Annual Expense	R298 854	R964 104	R461 466
Actuarial Loss / (Gain)	-R410 461		
Closing Accrued Liability	R8 464 580	R9 428 684	R9 890 150

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5. Retirement Benefit Obligations

Post-Retirement Medical Aid Plan

The Municipality offers employees and continuation members the opportunity of belonging to one of several medical schemes, most of which offer a range of options pertaining to levels of cover.

Upon retirement, an employee may continue membership of the medical scheme. Upon a member's death-in-service, or death-in-retirement, the surviving dependants may continue membership of the medical scheme.

Eligible employees will receive a post-employment subsidy of 60% of the contribution payable should they be a member of a medical scheme at retirement and if they were aged 55 or older on 1 January 2005.

The subsidy will be 50% for those in-service members who were aged between 50 and 55 on 1 January 2005. Other in-service members do not qualify for the post-employment subsidy.

If an employee chooses to take early retirement, he or she must be at least 55 years of age at the time of retirement and have at least 25 continuous years' service, provided they are eligible as at 1 January 2005, as per above.

The total in-service employees belonging to Medical Schemes as at 30 June 2018 were 2 (2017: 3) and the total continuation employees receiving the medical benefit as at 30 June 2018 were 67 (2017: 68).

The amounts recognised on the Statement of Financial Position are as follows:

Present value of obligations	28 178 688	29 897 013
Fair value of plan assets		
Unrecognised Past Service cost		
Unrecognised actuarial (gains)/losses		
Liability Recognised in Balance Sheet	<u>28 178 688</u>	<u>29 897 013</u>

Movement in the Defined Benefit Obligation recognised in the Statement of Financial Position:

Opening liability	29 897 013	31 309 920
Current service cost		
Interest cost	2 563 793	2 721 125
Actual benefits paid	-2 459 643	-2 193 658
Actuarial loss / (gain)	-1 822 475	-1 940 374
Closing Balance	<u>28 178 688</u>	<u>29 897 013</u>

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost		
Interest cost	2 563 793	2 721 125
Actuarial loss / (gain) recognised	-1 822 475	-1 940 374
Total Included in Statement of Financial Performance	<u>741 318</u>	<u>780 751</u>
Current Portion of Liability	2 635 378	2 522 421
Non-Current Portion of Liability	25 543 310	27 374 592
	<u>28 178 688</u>	<u>29 897 013</u>

Statistical information used to calculate the valuation is based on 30 June 2018 assumptions.

Key Financial Assumptions Used

30 June 2018

Assumption	Value p.a.
Discount Rate	9.06%
Health care cost inflation rate	7.09%
Net discount rate - health care cost inflation	1.84%
Maximum subsidy inflation rate	4.94%
Net discount rate - maximum subsidy inflation	3.92%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018.

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5. Retirement Benefit Obligations (Continued)

30 June 2017

Assumption	Value p.a.
Discount Rate	8.94%
Health care cost inflation rate	7.27%
Net discount rate - health care cost inflation	1.56%
Maximum subsidy inflation rate	5.08%
Net discount rate - maximum subsidy inflation	3.68%

The discount rate was determined by deducing from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2017.

Key Demographic Assumptions Used

30 June 2018

Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
>59	0%	0%

30 June 2017

Average retirement age	60
Continuation of membership at retirement	90%
Proportion assumed married at retirement	100%
Proportion of eligible current non-member employees joining the scheme by retirement	25%
Mortality during employment	SA 85 - 90
Mortality post-retirement	PA(90)

Withdrawal from service (sample annual rates) :

Age Band	Males	Females
20	16%	24%
30	10%	15%
40	6%	6%
50	2%	2%
55	1%	1%

Sensitivity Analysis on the Accrued Liability (R Millions)

30 June 2018

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		1.809	26.369	28.179	
Health care inflation	+1%	1.907	27.463	29.370	4%
	-1%	1.689	25.031	26.720	-5%
Discount Rate	+1%	1.644	24.429	26.073	-7%
	-1%	2.003	28.612	30.616	9%
Post-retirement mortality	-1 yr	1.862	27.377	29.239	4%

The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 4% higher than that shown.

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5. Retirement Benefit Obligations (Continued)

30 June 2017

Assumption	Change	In-service	Continuation	Total	% Change
Central Assumptions		2.530	27.367	29.897	
Health care inflation	+1%	2.662	28.591	31.253	5%
	-1%	2.359	25.881	28.241	-6%
Discount Rate	+1%	2.291	25.248	27.538	-8%
	-1%	2.813	29.830	32.643	9%
Post-retirement mortality	-1 yr	2.604	28.412	31.015	4%
Continuation of membership at retirement	-10%	2.014	27.367	29.381	-2%

Sensitivity Analysis on Interest Costs for the year ending 30 June 2019

Assumption	Change	Interest Cost	% Change
Central Assumptions		R2 436 200	
Health care inflation	+1%	R2 543 500	5%
	-1%	R2 304 600	-6%
Discount rate	+1%	R2 493 600	2%
	-1%	R2 363 500	-3%
Post-retirement mortality	-1 yr	R2 532 300	4%

	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Opening Accrued Liability	R29 897 013	R28 178 688	R27 979 505
Current-service Cost	R0	R0	R0
Interest Cost	R2 563 793	R2 436 195	R2 409 868
Expected Contributions (benefits paid)	-R2 459 643	-R2 635 378	-R2 822 226
Total Annual Expense	R104 150	-R199 183	-R412 358
Actuarial Loss / (Gain)	-R1 822 475		
Closing Accrued Liability	R28 178 688	R27 979 505	R27 567 147

The Municipality expects to pay R 2 635 378 to its post-retirement medical aid plan in the 2018/2019 financial year.

The valuation as at 30 June 2018 was performed by ARCH Actuarial Consulting CC

ARCH Actuarial Consulting CC is not affiliated to the Municipality

The full actuarial valuation report as at 30 June 2018 is available on request

Sensitivity Analysis on Interest Costs for the year ending 30 June 2018

Assumption	Change	Interest Cost	% Change
Central Assumptions		R2 563 800	
Health care inflation	+1%	R2 684 500	5%
	-1%	R2 416 200	-6%
Discount rate	+1%	R2 616 200	2%
	-1%	R2 495 100	-3%
Post-retirement mortality	-1 yr	R2 663 800	4%
Continuation of membership retirement	-10%	R2 517 700	2%

	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019
Opening Accrued Liability	R31 500 717	R29 897 013	R29 938 385
Current-service Cost	R0	R0	R0
Interest Cost	R2 721 125	R2 563 793	R2 559 464
Expected Contributions (benefits paid)	-R2 384 455	-R2 522 421	-R2 705 876
Total Annual Expense	R336 670	R41 372	-R146 412
Actuarial Loss / (Gain)	-R1 940 374		
Closing Accrued Liability	R29 897 013	R29 938 385	R29 791 973

The valuation as at 30 June 2017 was performed by ARCH Actuarial Consulting CC.

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6. Trade and Other Payables from Exchange Transactions

Trade Creditors	62 153 729	96 407 008
Retentions	25 771 588	30 050 404
Unidentified Deposits in Primary Bank Account	4 278 800	4 783 252
Deposits : Other	2 511 153	3 091 327
Other Creditors	12 109 691	9 550 426
Employee Benefits / Accruals	24 035 934	22 058 923
Payments Received in Advance i.r.o. Service Debtors	20 760 281	13 254 672
	151 621 176	179 196 011

Trade Creditors are valued at fair value as creditors are paid 30 days from date of statement.

Trade payables are non-interest-bearing and normally settled on 30-day terms, except retentions that could be settled after 12 months. Payments received in advance are non-interest bearing and normally settled on 30-day terms.

Management policies are in place to ensure that all payables are paid within a reasonable timeframe, as stipulated in the MFMA, to ensure sound financial risk management.

7. Unspent Conditional Grants and Receipts

Department of Housing	44 240 623	14 471 297
Housing Accreditation	4 470 445	2 838 520
Sports Facilities Grant	246 329	-
Other Grants	4 433 628	7 800 537
	53 391 026	25 110 353

8. VAT Receivable

15 586 938	16 435 376
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

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9. PROPERTY, PLANT AND EQUIPMENT

30 June 2018

Reconciliation of Carrying Value	Infrastructure	Community	Other	Land	Total
Carrying values at 30 June 2017	1 310 839 864	237 817 960	110 465 344	301 619 981	1 960 743 149
Cost	2 370 582 073	403 613 480	245 927 597	301 619 981	3 321 743 132
Capital under Construction	2 591 008	30 600 598	-	-	33 191 605
Accumulated impairment	-23 692 866	-5 721 166	-1 537 087	-	-30 951 119
Accumulated depreciation	-1 038 640 351	-190 674 952	-133 925 166	-	-1 363 240 469
Acquisitions	31 915 757	10 304 526	13 518 206	-	55 738 489
Capital under Construction	33 588 230	-3 401 433	-	-	30 186 797
Depreciation	-118 894 789	-17 982 554	-31 477 308	-	-168 354 651
Impairment	641 740	17 828	1 484 924	-	2 144 492
Carrying value of disposals	-1 026 545	-17 828	-6 145 872	-6 251 811	-13 442 055
Cost/revaluation	-2 241 401	-135 789	-15 966 781	-6 251 811	-24 595 782
Accumulated depreciation	1 214 856	117 961	9 820 909	-	11 153 727
Carrying values at 30 June 2018	1 257 084 258	226 738 498	87 845 295	295 368 170	1 867 016 221
Cost	2 400 256 429	413 782 217	243 479 023	295 368 170	3 352 885 838
Capital under Construction	36 179 238	27 199 164	-	-	63 378 402
Accumulated impairment	-23 051 126	-5 703 338	-52 163	-	-28 806 627
Accumulated depreciation	-1 156 320 283	-208 539 545	-155 581 565	-	-1 520 441 392

30 June 2017

Reconciliation of Carrying Value	Infrastructure	Community	Other	Land	Total
Carrying values at 9 August 2016	1 229 162 739	228 138 586	141 719 503	303 607 981	1 902 628 809
Cost	2 187 550 625	358 153 482	240 818 799	301 587 981	3 088 110 887
Capital under Construction	32 222 411	44 175 099	3 297 298	2 020 000	81 714 807
Accumulated impairment	1 066 600	-1 558 728	-1 526 640	-	-2 018 767
Accumulated depreciation	-991 676 897	-172 631 267	-100 869 954	-	-1 265 178 118
Acquisitions	185 595 853	48 166 370	11 686 570	2 020 000	247 468 794
Capital under Construction	-29 631 404	-13 574 501	-3 297 298	-2 020 000	-48 523 202
Depreciation	-48 166 543	-19 323 426	-37 416 599	-	-104 905 567
Impairment	-24 773 254	-5 589 347	-22 187	-	-30 384 768
Carrying value of disposals	-1 348 528	278	-2 204 665	-1 988 000	-5 540 916
Cost/revaluation	-2 564 405	-2 706 372	-6 577 772	-1 988 000	-13 836 549
Accumulated impairment	13 788	1 426 909	11 720	-	1 452 416
Accumulated depreciation	1 202 089	1 279 741	4 361 387	-	6 843 217
Carrying values at 30 June 2017	1 310 839 864	237 817 960	110 465 344	301 619 981	1 960 743 149
Cost	2 370 582 073	403 613 480	245 927 597	301 619 981	3 321 743 132
Capital under Construction	2 591 008	30 600 598	-	-	33 191 605
Accumulated impairment	-23 692 866	-5 721 166	-1 537 087	-	-30 951 119
Accumulated depreciation	-1 038 640 351	-190 674 952	-133 925 166	-	-1 363 240 469

Refer to Appendix B for more detail on property, plant and equipment.

Infrastructure Assets and Community Assets

Physical verification and valuation

- Infrastructure assets were physically verified during the 2017/2018 financial year. During this process the asset location, condition and maintenance history was recorded and evaluated.

Capital Under Construction

There are currently 12 projects listed as Capital Under Construction as at 30 June 2018, however the 2 projects listed below are delayed or taking longer than expected to complete:

- Construction of the Ezakheni Sports Complex : Amount disclosed in PPE - R 20 724 611

This project has had significant delays in completion due to the termination of contracts for appointed contractors, who have failed to complete the project and have not met the correct specifications in terms of the project.

- Emnambithi Indoor Sports Complex : Amount disclosed in PPE - R 5 115 727

This is a longer term project and the planning and study phase of this project has been completed.

Repairs and Maintenance

Repairs and maintenance are costs related to the repair and maintenance of Council owned Property, Plant and Equipment during the period.

Included in repairs and maintenance are the following:

Payments to service providers - Contracted Services	5 169 457
Materials used from Inventory - General Expenses - Consumable Stores	12 938 610
Employee costs charged to repairs and maintenance - Remuneration of Employees	37 980 552
Transport costs charged to repairs and maintenance - General Expenses	9 873 339
	65 961 958

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10. Intangible Assets

30 June 2018

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	6 360 695	151 499	-	-	6 512 193
Total	6 402 317	151 499	-	-	6 553 816
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-1 127 742	-1 018 061	-	-	-2 145 803
Total	-1 127 742	-1 018 061	-	-	-2 145 803
Carrying Value	5 274 576	-866 563	-	-	4 408 013

30 June 2017

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Servitudes	41 623	-	-	-	41 623
Computer Software	340 067	6 020 627	-	-	6 360 695
Total	381 690	6 020 627	-	-	6 402 317
Accumulated Amortisation					
Servitudes	-	-	-	-	-
Computer Software	-236 320	-891 421	-	-	-1 127 742
Total	-236 320	-891 421	-	-	-1 127 742
Carrying Value	145 370	5 129 206	-	-	5 274 576

Intangible assets disclosed relate to computer software and to servitudes registered by the municipality. The balance of the servitudes are disclosed in Property, Plant and Equipment. It has been the policy of this municipality to capitalise servitudes to projects which are currently disclosed as Infrastructure costs.

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11. Investment Property

30 June 2018

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	186 942 893	-	92 301 000	-2 607 879	276 636 014
Total	186 942 893	-	92 301 000	-2 607 879	276 636 014
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	186 942 893	-	92 301 000	-2 607 879	276 636 014

30 June 2017

	Opening Balance	Additions	Fair Value Adjustment / Impairment	Transfers / Disposals	Total
Cost	194 253 282	-	-6 553 388	-757 000	186 942 893
Total	194 253 282	-	-6 553 388	-757 000	186 942 893
Accumulated Depreciation	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	194 253 282	-	-6 553 388	-757 000	186 942 893

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

The fair value of the above properties is R 276 636 014. Investment properties have been valued in accordance with the municipal valuation roll and has been adjusted to take into account current market conditions.

The last effective date of the fair value adjustments was June 2018. The valuations were performed by a Professional Valuer. The valuation was based on the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The municipal valuer has extensive experience in the location and category of investment property valued with the necessary qualifications.

Investment Property was rented / leased during the period and rental income of was recognised and disclosed in the Statement of Financial Performance as Rental of facilities and equipment.

There were no direct expenses related to investment property, including repairs and maintenance, for this financial period.

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12. Heritage Assets

30 June 2018

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Buildings	15 678 000	-	-	-	15 678 000
Other	1 774 512	-	-	-	1 774 512
Total	17 452 512	-	-	-	17 452 512
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	17 452 512	-	-	-	17 452 512

30 June 2017

	Opening Balance	Additions	Disposals	Transfers	Total
Cost					
Buildings	15 277 000	-	-	401 000	15 678 000
Other	1 774 512	-	-	-	1 774 512
Total	17 051 512	-	-	401 000	17 452 512
Accumulated Amortisation					
Buildings	-	-	-	-	-
Other	-	-	-	-	-
Total	-	-	-	-	-
Carrying Value	17 051 512	-	-	401 000	17 452 512

The Municipality accounts for Heritage Assets under GRAP 103.

The cost model is used for all heritage assets in terms of measurement.

Where the inability exists to determine the fair value reliably, when market-determined prices or values are not available and alternative estimates of fair value are determined to be clearly unreliable, heritage assets shall be measured using the cost model. The carrying amount of the heritage asset shall be its revalued amount at the date of the last revaluation less any subsequent accumulated impairment losses. The Municipality has certain movable heritage assets measured at R1 so as to confirm existence and rights, and in their nature bear no material impact on the materiality of valuation as there is no market for these items.

These assets were assessed for impairment during the 2017/2018 financial year.

13. Self-Insurance Fund

Opening balance	13 450 360	12 436 552
Contributions / Interest	958 273	1 656 763
Insurance Claims processed	-788 321	-642 955
	13 620 312	13 450 360

The Municipality has a Self-Insurance Fund to set aside amounts to offset potential losses or claims, which fall under a stop loss determined and calculated by Council's insurance broker based on the insurance risk carried by the Municipality. The funds are kept in a separate call account and invested on short-term fixed deposits, and the interest earned is credited to the fund.

14. Non-current Receivables from Exchange Transactions

State Housing Selling Schemes	15 414	15 414
	15 414	15 414

15. Inventories

Unsold properties and assets held for resale	26 947 152	23 454 462
Consumable Stores	16 011 612	13 269 818
Inventory Assets	1 259 947	599 084
	44 218 911	37 323 364

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16. Trade and Other Receivables from Exchange Transactions

As at 30 June 2018	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	39 150 849	-9 323 530	29 827 319
Refuse	42 407 335	-31 769 997	10 637 338
Housing Debtors	2 069 020	-1 951 902	117 118
	83 627 204	-43 045 429	40 581 775

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Electricity	36 545 276	-7 811 957	28 733 319
Refuse	25 046 946	-23 276 019	1 770 928
Housing Debtors	1 753 533	-1 637 955	115 579
	63 345 755	-32 725 930	30 619 826

Electricity : Ageing

Current (0 - 30 days)	23 861 622	25 512 718
31 - 60 Days	3 498 883	2 165 217
61 - 90 Days	1 410 225	423 478
91 - 120 Days	815 311	847 680
121+ Days	9 294 165	7 596 183
	38 880 206	36 545 276

Refuse : Ageing

Current (0 - 30 days)	-1 212	-7 679
31 - 60 Days	3 647 288	1 324 041
61 - 90 Days	2 151 393	1 164 434
91 - 120 Days	1 398 472	1 257 778
121+ Days	35 211 394	21 308 372
	42 407 335	25 046 946

Housing : Ageing

Current (0 - 30 days)	30 237	33 386
31 - 60 Days	28 037	28 204
61 - 90 Days	27 517	27 168
91 - 120 Days	27 367	26 821
121+ Days	1 955 861	1 637 955
	2 069 020	1 753 533

Reconciliation of the doubtful debt provision

Balance at beginning of the period	32 725 930	21 200 249
Contributions to provision	11 352 389	16 458 347
Doubtful debts written off against provision	-1 032 890	-4 932 666
	43 045 429	32 725 930

Trade and other receivables from exchange transactions impaired

As of 30 June 2018, trade and other receivables of R 59 465 913 (2017: R 37 807 330) were impaired and provided for. The amount of the provision was R 43 045 429 as at 30 June 2018 (2017: R 32 725 930). The ageing of these receivables is as follows:

31 - 60 Days	5 193 174	3 044 708
61 - 90 Days	2 598 057	1 398 009
91 - 120 Days	1 622 296	1 845 698
121+ Days	33 631 902	26 437 519
	43 045 429	32 725 930

The fair value of trade and other receivables from exchange transactions approximates their carrying amounts.

Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns.

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17. Other Receivables from Non-Exchange Transactions

As at 30 June 2018	Gross Balances	Provision for Bad Debts	Net Balance
Property Rates	221 112 565	-123 564 333	97 548 232
Vat Service Debtors	11 320 126	-	11 320 126
Legal Fees - Debtors	459 575	-352 478	107 097
Credit Control Costs - Debtors	131 603	-52 601	79 002
Traffic Fines	61 690 362	-26 613 618	35 076 744
Receivables - Penalties / Interest	35 380 679	-25 441 111	9 939 568
Sundry Debtors	8 275 776	-3 251 467	5 024 309
	338 370 685	-179 275 608	159 095 077

As at 30 June 2017	Gross Balances	Provision for Bad Debts	Net Balance
Rates	172 492 175	-113 989 456	58 502 719
Vat Service Debtors	8 667 795	-	8 667 795
Legal Fees - Debtors	449 910	-425 545	24 365
Credit Control Costs - Debtors	151 352	-138 302	13 049
Traffic Fines	55 260 360	-23 624 235	31 636 126
Receivables - Penalties / Interest	15 469 865	-8 566 380	6 903 486
Sundry Debtors	15 096 261	-4 150 578	10 945 683
	267 587 719	-150 894 496	116 693 223

Rates : Ageing

Current (0 - 30 days)	162 533	857 421
31 - 60 Days	8 513 178	5 247 866
61 - 90 Days	10 925 789	4 135 005
91 - 120 Days	6 065 716	4 772 225
121+ Days	205 740 369	157 479 658
	231 407 584	172 492 175

Reconciliation of the doubtful debt provision

Balance at beginning of the year	150 894 496	117 993 447
Contributions to provision	30 836 250	33 237 113
Doubtful debts written off against provision	-2 455 138	-336 064
	179 275 608	150 894 496

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2018, trade and other receivables of R 272 098 867 (2017: R 249 199 687) were impaired and provided for. The amount of the provision was R 179 275 608 as at 30 June 2018. (2017: R 150 894 496)

The ageing of these receivables is as follows:

31 - 60 Days	6 595 312	3 031 040
61 - 90 Days	8 464 405	2 388 278
91 - 120 Days	4 699 219	2 756 321
121+ Days	159 516 673	142 718 857
	179 275 608	150 894 496

The fair value of trade and other receivables from non-exchange transactions approximates their carrying amounts.

All Debtors with the exclusion of Vat Service Debtors are individually evaluated at financial year end for impairment. A report on the various categories of debtors is drafted to substantiate such evaluation and subsequent impairment, where applicable. Evaluation of impairment includes all debt passed 30 days, and considers past and current payment patterns, where applicable.

18. Investments

Short-Term Investments		
- ABSA	20 118 027	10 094 315
- Investec	40 544 586	10 094 513
- Standard Bank	20 117 945	10 094 623
	80 780 558	30 283 451

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19. Cash and Cash Equivalents

The Municipality has the following call deposit bank accounts :-

General Call Account

ABSA Bank - Public Sector Banking

Account Number 9207051716

Bank statement balance at end of period

33 810 470

71 347 894

Department of Housing Grants Call Account

ABSA Bank - Public Sector Banking

Account Number 9207052314

Bank statement balance at end of period

45 561 671

15 633 297

Grant Funds Call Account

ABSA Bank - Public Sector Banking

Account Number 9207054081

Bank statement balance at end of period

69 903 111

66 059 697

Ladysmith Black Mambazo Call Account

ABSA Bank - Public Sector Banking

Account Number 9236410696

Bank statement balance at end of period

2 836 880

1 758 015

Self-Insurance Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9251267674

Bank statement balance at end of period

13 620 312

13 471 757

Housing Operating Call Account

ABSA Bank - Public Sector Banking

Account Number 9274469611

Bank statement balance at end of period

30 406 499

25 263 421

Housing Capacity Fund Call Account

ABSA Bank - Public Sector Banking

Account Number 9285122301

Bank statement balance at end of period

2 598 275

2 896 008

Disaster Recovery Grant Call Account

ABSA Bank - Public Sector Banking

Account Number 9305740716

Bank statement balance at end of period (Account Closed)

0

29 339 016

198 737 218

225 769 104

The Municipality has the following primary bank account :-

Current Account (Primary Bank Account)

ABSA Bank - Public Sector Banking

Account Number 4071756088

Cash book balance at beginning of period

6 155 304

142 529 312

Cash book balance at end of period

-5 251 844

6 155 304

Bank statement balance at beginning of period

30 463 901

160 035 382

Bank statement balance at end of period

36 536 224

30 463 901

Cash and cash equivalents consist of:

Short-term Investments

80 780 558

30 283 451

Call deposits

198 737 218

225 769 104

Bank balance and cash

-5 251 844

6 155 304

274 265 932

262 207 859

Guarantee Held on Primary Account

The Municipality has a guarantee of R120 000 held in favour of The South African Post Office.

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20. Property Rates

Actual

Residential	76 414 911	67 000 173
Industrial / Commercial / Business	51 402 424	31 708 383
Agriculture	4 615 282	2 577 902
Vacant Land	18 883 748	6 881 011
Game Hunting / Eco-Tourism	-	1 062 573
State	25 313 905	10 414 500
Industrial Estate Serviced By Agent	-	1 887 818
Industrial Estate Serviced By Owner	-	460 722
	176 630 271	121 993 082
Less: Revenue Foregone	-2 094 239	-230 855
Total Assessment Rates	174 536 032	121 762 227

Valuations

	R'000	R'000
Residential & Bed and Breakfast	9 860 371	6 614 784
Industrial / Commercial / Business	2 666 401	1 579 777
Agriculture	1 668 258	985 028
Public Service Infrastructure	12 249	15 686
Vacant Land	710 195	163 868
Rural Residential	-	304 947
Game Hunting / Eco-Tourism	-	126 360
Municipal Domestic	657 074	197 391
State	1 007 426	1 326 035
Land Reform < 10 Years	-	129 370
Non Profit Organisations	107 619	70 037
Religious	122 131	193 140
Industrial Estate Serviced By Agent	-	161 729
Industrial Estate Serviced By Owner	-	39 470
Ingonyama Trust	-	18 440
Municipal Vacant Land	2 307	125 145
Public Open Spaces	2 487	6 058
Other	367 954	12 219
Total Property Valuations	17 184 472	12 069 484

Valuation on land and buildings is performed every four years. The last valuation came into effect on 1 July 2017. Supplementary valuations are processed on a ad-hoc basis to take into account changes in individual property values due to change in use, alterations, consolidations and subdivisions.

The following property allocation factors (rate) are applied to the various categories of property to determine assessment rates less the impermissible valuation allowed :

Category	Rate	Impermissible Valuation
Residential	R 0.01138	100 000
Commercial / Business	R 0.01996	-
Industrial	R 0.01284	-
Agriculture	R 0.00277	-
Vacant Land	R 0.04109	-
State	R 0.02513	-

Rates are levied on a monthly basis on property owners with the final date of payment being 30 June 2018.

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21. Service Charges

Electricity	306 943 834	278 318 343
Refuse removal	25 115 685	19 769 680
	332 059 519	298 088 023

22. Government Grants and Subsidies

Disaster Recovery Grant (DRG)	-	50 000 000
Equitable Share	189 993 252	153 116 000
Expanded Public Works Programme (EPWP)	3 347 000	4 710 815
Financial Management Grant (FMG)	3 600 000	3 408 398
Housing Accreditation	223 325	356 141
Municipal Demarcation Transition Grant (MDTG)	8 280 000	9 714 000
Municipal Infrastructure Grant (MIG)	62 749 000	70 353 000
Museum Subsidy	183 000	175 000
Provincialisation of Libraries	4 198 000	4 035 000
Recapitalisation of Libraries	778 000	738 000
Small Business Development	4 987 198	-
Sports Facilities Grant	943 171	-
Workstudy Exercise at Merged Municipalities Grant	-	700 000
Other Grants	3 506 307	231 719
	282 786 253	297 538 072

The Municipality received INEP funding for Electrification Projects which are in the Eskom serviced areas. The grant utilised in the amount of R 15 000 000 as at 30 June 2018 (2017: R 11 617 960) is not recognised in the Statement of Financial Performance, as the projects are carried out on behalf of Eskom.

The Municipality received Housing Funds for Low Cost Housing Projects and Title Deeds Transfers. The grant is not recognised in the Statement of Financial Performance, as these projects are carried out on behalf of the Department of Human Settlement.

22.1 Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All residents may apply for indigency in terms of the Municipality's Indigent Policy. For the 2017/2018 financial year, the amount transferred was R 237 748 less than the allocation gazetted. National Treasury was consulted as the amount was incorrectly withheld in terms of the prior year opening balance that was regarded as unspent in terms of the FMG and EPWP Grants. The amount was actually advance spending in terms of these grants prior to the establishment of the Alfred Duma Local Municipality.

22.2 Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of period	-	-
Current year receipts	62 749 000	70 353 000
Conditions met - transferred to revenue (Other)	-62 749 000	-70 353 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to construct roads and bridges, sportsfields, community halls and streetlighting as part of the upgrading of informal settlement areas (included in the votes in Appendix B). No funds have been withheld.

22.3 Department of Human Settlement

Balance unspent at beginning of period	14 471 297	14 471 297
Current year receipts	32 369 002	-
Conditions met	-2 599 675	-
Conditions still to be met - transferred to liabilities	44 240 623	14 471 297

This grant is utilised to construct houses and transfer Title Deeds as part of Low Cost Housing Projects. The grant utilised in the amount of R 2 599 675 (2017: R 0) is not transferred to revenue, as the projects are carried out on behalf of the Department of Human Settlement.

22.4 Museum subsidy

Balance unspent at beginning of period	-	-
Current year receipts	183 000	175 000
Conditions met - transferred to revenue	-183 000	-175 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenses incurred solely for the Museums.

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22. Government Grants and Subsidies (Continued)

22.5 Financial Management Grant (FMG)

Balance unspent at beginning of period		-41 602
Current year receipts	3 600 000	3 450 000
Conditions met - transferred to revenue	-3 600 000	-3 408 398
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for Interns' salaries to advance the implementation of the MFMA, training of officials to meet the minimum competency requirements, and for Asset Management and Financial System enhancements and training.

22.6 Municipal Demarcation Transition Grant (MDTG)

Balance unspent at beginning of period		
Current year receipts	8 280 000	9 714 000
Conditions met - transferred to revenue	-8 280 000	-9 714 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for processes and systems required for the merger of the two former municipalities.

22.7 Integrated National Electricity Programme Grant (INEP)

Balance unspent at beginning of period	-	117 960
Current year receipts	15 000 000	11 500 000
Conditions met	-15 000 000	-11 617 960
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for electricity connections to households in various areas.

The grant utilised in the amount of R 15 000 000 (2017: R 11 617 960) is not transferred to revenue, as the projects are carried out on behalf of Eskom.

22.8 Expanded Public Works Program Grant (EPWP)

Balance unspent at beginning of period	-	-195 185
Current year receipts	3 347 000	4 906 000
Conditions met - transferred to revenue	-3 347 000	-4 710 815
Conditions still to be met - transferred to liabilities	-	-

The Expanded Public Works Programme is a government programme aimed at the alleviation of poverty and unemployment.

This programme ensures the full engagement on Labour Intensive Methods of Construction to workers for skills development.

22.9 Disaster Recovery Grant (DRG)

Balance unspent at beginning of period		-517 198
Current year receipts		50 517 198
Conditions met - transferred to revenue	-	-50 000 000
Conditions still to be met - transferred to liabilities / debtor raised for spending in advance	-	-

The Disaster Recovery Grant is received for storm damages that occurred in the Municipal Area to repair bridges, roads and electrical infrastructure.

22.10 Housing Accreditation

Balance unspent at beginning of period	2 838 520	1 180 812
Current year receipts	1 855 251	2 013 848
Conditions met - transferred to revenue	-223 325	-356 141
Conditions still to be met - transferred to liabilities	4 470 445	2 838 520

This grant is utilised to capacitate the Municipality in the construction of houses as part of the upgrading of informal settlement areas.

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22. Government Grants and Subsidies (Continued)

22.11 Provincialisation of Libraries

Balance unspent at beginning of period		
Current year receipts	4 198 000	4 035 000
Conditions met - transferred to revenue	-4 198 000	-4 035 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised to subsidise expenditure and upgrading of Libraries.

22.12 Recapitalisation of Libraries

Balance unspent at beginning of period		
Current year receipts	776 000	738 000
Conditions met - transferred to revenue	-776 000	-738 000
Conditions still to be met - transferred to liabilities	-	-

This grant is utilised for the remuneration of Cyber Cadets in Libraries.

22.13 Workstudy Exercise Grant

Balance unspent at beginning of period		-
Current year receipts		700 000
Conditions met - transferred to revenue	-	-700 000
Conditions still to be met - transferred to liabilities	-	-

This grant was utilised for the development of an organisational structure for the merged Municipality.

22.14 Small Business Development Grant

Balance unspent at beginning of period		
Current year receipts	4 987 198	
Conditions met - transferred to revenue	-4 987 198	
Conditions still to be met - transferred to liabilities	-	

This grant was utilised for assisting in Shared Economic Infrastructure Facilities in terms of LED.

22.15 Sports Facilities Grant

Balance unspent at beginning of period		
Current year receipts	1 189 500	
Conditions met - transferred to revenue	-943 171	-
Conditions still to be met - transferred to liabilities	246 329	-

This grant is utilised in the upgrading and maintaining of sports facilities.

22.16 Other Grants

Balance unspent at beginning of period	7 800 537	3 232 255
Current year receipts	139 399	4 800 000
Conditions met - transferred to revenue	-3 506 307	-231 719
Conditions still to be met - transferred to liabilities	4 433 628	7 800 537

The Municipality received grants for Records Management, Translation and Promulgation of By-Laws, Development, Planning and Shared Services, Scheme Support Program (LUMS), Ladysmith Black Mambazo Academy and for the Ladysmith Airport during this period.

22.17 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act 1 of 2005), there has been a reduction in the level of government grant funding expected over the forthcoming 3 financial years.

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23. Employee Related Costs

Salaries and Allowances	173 249 024	143 065 091
Contributions for UIF, pensions, medical aids, group life and bargaining council	33 742 177	28 431 279
Travel allowances	14 786 593	13 449 990
Housing benefits and other allowances	2 254 159	3 547 205
Overtime & standby payments	9 208 657	7 113 317
Job Creation	25 791 423	16 875 866
	259 032 032	212 482 749

There were no advances or loans made to employees.

Remuneration of the Municipal Manager : Ms S S Ngiba

Salary	1 359 409	-
Allowance - Subsistence & Travelling	20 597	-
Performance Bonus	-	-
	1 380 006	-

Ms S S Ngiba was appointed in the post of Municipal Manager on 1 September 2017

Remuneration of the Municipal Manager : Mr M P Khathide

Salary	323 904	1 222 370
Allowance - Subsistence & Travelling	-	27 610
Performance Bonus	-	113 207
	323 904	1 363 188

Mr M P Khathide's contract ended on 10 August 2017

Remuneration of the Chief Financial Officer : Mr M Hloba

Salary	1 456 990	1 142 154
Allowance - Subsistence & Travelling	22 283	30 554
Performance Bonus	-	93 890
	1 479 273	1 266 598

Remuneration of the Executive Director: Corporate Services : Mrs P Mntaka

Salary	769 546	-
Allowances - Subsistence & Travelling	-	-
Performance Bonus	-	-
	769 546	-

Mrs P Mntaka was appointed in the post of Executive Director: Corporate Services on 1 December 2017

Remuneration of the Executive Director: Corporate Services : Ms S S Ngiba

Salary	398 154	1 005 924
Allowance - Subsistence & Travelling	6 647	24 469
Performance Bonus	-	77 700
	404 800	1 108 094

Ms S S Ngiba was appointed to the post of Municipal Manager on 1 September 2017

Remuneration of the Executive Director: Community Services : Mr P B B Simelane

Salary	1 388 078	1 010 072
Allowance - Subsistence & Travelling	7 432	10 972
Performance Bonus	-	93 392
	1 395 509	1 114 436

Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr S A Mazibuko

Salary	487 772	-
Allowance - Subsistence & Travelling	-	-
Performance Bonus	-	-
	487 772	-

Mr S A Mazibuko was appointed in the post of Executive Director: Development, Planning & Human Settlement on 1 January 2018

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23. Employee Related Costs (Continued)

Remuneration of the Executive Director: Development, Planning & Human Settlement : Mr P S Mkhize

Salary	640 249	1 033 172
Allowance - Subsistence & Travelling	8 269	47 959
Performance Bonus	-	83 015
	648 518	1 164 146

Mr P S Mkhize resigned as Executive Director: Development, Planning & Human Settlement on 31 October 2017

Remuneration of the Executive Director: Public Works and Basic Services : Mr S O Hlatshwayo

Salary	1 331 857	1 119 433
Allowance - Subsistence & Travelling	18 346	83 368
Performance Bonus	-	31 297
	1 350 203	1 234 098

24. Remuneration of Councillors

Mayor	865 289	738 065
Deputy Mayor	700 389	587 470
Speaker	701 105	594 531
Chief Whip	601 730	385 935
MPAC Chairperson	642 428	457 877
EXCO Committee Members	2 698 991	2 191 313
Councillors	18 140 994	14 797 157
	24 350 926	19 752 349

In-kind Benefits

The Mayor, Deputy Mayor, Speaker, Chief Whip are full-time employees of the Municipality. Each is provided with an office, secretarial support and security at the cost of the Council.

The Mayor, Deputy Mayor and Speaker have the use of Council-owned vehicles for official duties.

The Mayor, Deputy Mayor and other Councillors have bodyguards at the cost of Council.

25. Finance Costs

Long-term liabilities	513 446	499 466
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26. Bulk Purchases

Electricity - Eskom	208 831 186	178 560 755
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Distribution Losses : Electricity

	30 June 2018 KWh	30 June 2017 KWh		
Value of Purchases at Purchase Price	269 896 528	239 241 846	170 034 813	142 027 759
Less : Sales at Purchase Price	-243 388 069	-218 505 924	-153 334 483	-129 717 719
Total Losses	26 508 459	20 735 922	16 700 329	12 310 039
Technical Losses	13 494 826	11 962 092	8 501 740	7 190 415
Non-Technical Losses	13 013 633	8 773 830	8 198 589	5 119 624
Total Losses	26 508 459	20 735 922	16 700 329	12 310 039
Percentage of Total Loss	9.82%	8.67%	9.82%	8.67%

The value of loss is calculated using the bulk purchase price.

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27. Contracted Services

Internal Audit		632 545
IT System and Support	2 705 715	4 095 109
Payment Services	563 770	497 658
Refuse Removal	664 501	1 157 080
Security Services	30 299 746	15 365 276
Other	9 000	708 500
	34 242 732	22 456 168

28. General Expenses

Included in general expenses are the following:

Advertising	346 153	726 497
Audit Committee	312 099	249 045
Audit Fees	4 291 034	6 022 536
Bank Charges	1 390 807	1 059 973
Bulk Discounts	735 651	563 590
Conferences & Delegations	1 615 232	1 898 512
Consultants	11 694 353	14 794 619
Consumable Stores & Materials - Maintenance of Assets	12 938 610	3 528 016
Contractors - Maintenance of Assets	5 169 457	11 481 852
Disconnections & Reconnections		378 107
Electricity - Municipal Premises	4 330 563	4 199 863
Electricity - Streetlighting	4 817 839	4 437 757
Emergency Relief Fund	615 438	538 421
Entertainment Expenses	209 525	129 350
Events / Programmes	9 297 869	13 523 656
Funeral Assistance	123 263	29 295
Indigency - Electricity / Alternative Energy	8 761 557	7 541 539
Insurance	3 220 798	3 582 255
Integrated Development Plan	923 669	607 495
Interest Paid	103 945	581 436
Legal Expenses	1 864 342	1 118 203
Licence Fees	613 048	797 545
Local Economic Development	5 673 728	1 165 651
Materials & Sundries	1 052 458	641 218
Postage	2 319 969	1 640 908
Post Retirement Benefits	2 563 793	2 721 125
Printing & Stationery	2 354 626	1 964 621
Protective Clothing	2 988 279	1 741 062
Publicity	831 737	660 899
Public Meetings	773 594	533 194
Refurbishment - NER Requirements	2 142 845	1 917 666
Rental - Office Machines	1 127 964	441 489
SARS - Skills Development Levy	2 135 205	1 855 565
Subscriptions & Membership	2 992 843	
Telephone & Cellphone Costs	4 100 657	4 142 179
Training Staff & Councillors	2 430 750	2 081 654
Transitional Costs / Organograms		900 000
Valuation Roll Costs	1 143 560	2 329 864
Vehicle / Transport Costs	22 452 420	19 878 454
Ward Committees	3 854 314	3 136 617
Water / Sanitation	3 003 248	1 580 732
Youth Development Programme	1 674 534	1 695 899
Other General Expenses	9 141 943	3 529 015
	148 133 719	132 438 747

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29. Cash Generated By Operations

Surplus/(Deficit) for the year	52 354 160	8 879 143
Adjustment for:-		
Adjustments in Respect of Previous Years & Appropriations		36 237 077
Depreciation / Amortisation	169 372 713	105 796 989
(Profit)/Loss on disposal of assets	5 817 036	2 849 313
(Impairment Loss) / Reversal of impairment loss	-486 076	
Contribution to long service awards provision	1 153 405	111 607
Contribution to performance bonus provision	657 524	714 010
Contribution to landfill site rehabilitation	-	13 516 542
Contribution to retirement benefit obligation	-1 718 325	1 412 907
Donated Assets to Community - Investment Prop	760 000	
(Gain)/Loss on fair value adjustment and impairment	-92 301 000	6 553 388
Operating surplus before working capital changes:	135 609 437	176 070 977
(Increase)/decrease in inventories	918 935	-3 536 877
(Increase)/decrease in exchange debtors	-9 961 950	6 455 389
(Increase)/decrease in non-exchange debtors	-42 401 854	-6 608 585
(Increase)/decrease in non-current receivables	-	-1 400
(Increase)/decrease in VAT Receivable	848 438	-1 383 777
(Decrease)/increase in self-insurance fund	169 953	-
(Decrease)/increase in housing operating account (HDF)	2 132 357	-
(Decrease)/increase in unspent conditional grants and receipts	28 280 673	2 680 978
(Decrease)/increase in creditors	-27 574 835	40 826 038
(Decrease)/increase in deposits	4 721 789	1 674 339
	92 742 942	216 177 082

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30. Unauthorised, Irregular, Fruitless and Wasteful Expenditure

30.1 Unauthorised Expenditure

Opening balance	125 196 084	424 706
Unauthorised expenditure current year	16 612 386	124 771 378
Approved by council or condoned	-125 196 084	-
Transfer to receivables for recovery - not condoned	-	-
Unauthorised expenditure awaiting authorisation	16 612 386	125 196 084
Depreciation and Impairment Cost - Former Indaka Municipality	-	424 706
Payment ordered by Court to Service Provider - Former Indaka Municipality	-	1 646 343
Bad debts contribution to receivables	-	16 076 097
Depreciation	-	67 993 041
Contracted services	16 612 386	4 256 267
Impairment cost of PPE	-	28 619 592
Loss on disposal of PPE	-	2 164 202
Inventories: Write-down to net realisable value	-	605 454
General expenses	-	3 410 382
	16 612 386	125 196 084

Council noted Unauthorised Expenditure of R 16 612 386 at a Council meeting held on 26 July 2018.

30.2 Irregular Expenditure

Opening balance	168 481 279	142 651 484
Irregular expenditure current year	15 497 580	25 829 795
Written Off	-	-
Transfer to receivables for recovery - not condoned	-	-
Irregular expenditure awaiting authorisation	183 978 859	168 481 279
Irregular expenditure is related to the non-adherence of Supply Chain Management procedures.		
- Non-compliance with the PPPFA Regulation	1 017 420	1 017 420
- Persons in the service of the state	2 873 102	961 161
- Non-compliance with the SCM Regulations	180 088 337	166 502 698
Written Off	-	-
	183 978 859	168 481 279

All Irregular Expenditure has been reported to Council and to National Treasury during the 2017/2018 financial year.

30.3 Fruitless and Wasteful Expenditure

Opening balance	6 898 520	6 317 223
Fruitless and Wasteful expenditure current year	101 045	581 297
Approved by council or condoned	-	-
Recovered	-	-
Transfer to receivables for recovery - not condoned	-	-
Fruitless and Wasteful expenditure awaiting authorisation	6 999 565	6 898 520

Fruitless and Wasteful expenditure is related to expenditure that was made in vain and would have been avoided had reasonable care been exercised.

Fruitless and Wasteful Expenditure incurred in the current year of R 101 045, relates to interest charges on late payment of invoices to various service providers.

Investigations and Disciplinary Actions have been taken against employees during the 2017/2018 financial year related to Fruitless and Wasteful Expenditure. Outcomes are awaited in terms of recovery and will be reported accordingly.

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31. Additional Disclosures in Terms of Municipal Finance Management Act

31.1 Contributions to organised local government

Opening balance		
Council subscriptions	2 989 907	
Amount paid - current year	-2 284 980	
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	704 927	-

The contribution for the 2016/2017 financial year was paid in July 2016 under the previous Municipality.

31.2 Audit Fees

Opening balance		
Current year audit fee	4 927 097	6 859 795
Amount paid - current year	-4 927 097	-6 859 795
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

31.3 VAT

All VAT returns have been submitted to SARS.

31.4 PAYE, SDL and UIF

Opening balance		
Current year payroll deductions	35 254 634	28 441 299
Amount paid - current year	-35 254 634	-28 441 299
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

31.5 Pension and Medical Aid Deductions

Opening balance		
Current year payroll deductions and Council Contributions	52 141 229	43 220 364
Amount paid - current year	-52 141 229	-43 220 364
Amount paid - previous years	-	-
Balance unpaid (included in creditors)	-	-

31.6 Supply Chain Management Deviations

In terms of Regulation 36 of the Municipal Supply Chain Management Regulations, any deviations from the Supply Chain Management Policy needs to be condoned by the Municipal Manager and noted by Council.

Opening balance	5 882 725	5 887 514
Deviations - current year	11 133	750 151
Total amount condoned	-11 133	-754 940
Deviations awaiting authorisation	5 882 725	5 882 725

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31. Additional Disclosures in Terms of Municipal Finance Management Act (Continued)

31.7 Transactions with Related Parties

Mivusa Trading (Pty) Ltd	297 740	1 079 200
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, Mrs W Asmal, employed at the Alfred Duma Local Municipality.

Harvey World Travel	35 573	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, Mr R S Zikode, employed at the Department of Trade and Industry.

Bhatimewu Trading Enterprise	54 400	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state, employed in the Department of Health

Jubane Tires	69 029	-
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The Municipality conducted business during the financial period with the above service provider, of which the director is closely related to a person employed in the service of the state.

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32. Capital Commitments

32.1 Commitments in respect of capital expenditure:

- Approved but not yet contracted for

Infrastructure

Community

Other

- Approved and contracted for

Infrastructure

Community

Other

19 609 716

9 765 729

1 682 086

1 680

-

-

21 291 802

9 767 409

This expenditure will be financed from:

- External Loans

- Government Grants

- Own Resources

15 958 555

9 767 409

5 333 247

-

21 291 802

9 767 409

32.2 Operating leases - as lessor

Minimum lease payments due

Within one year

In the second to fifth year inclusive

After five years

845 679

454 175

953 293

1 918 523

1 235 499

1 205 850

3 034 471

3 578 547

Operating Leases consists of the following:

Certain of the municipality's property is held to provide a service to the community to assist with local economic and social development. Lease agreements are cancellable if agreed by both parties.

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33. Other Income

Included in other income are the following:

Actuarial Gain	1 667 716	2 350 835
Fees : Brigade Service	176 213	234 238
Fees : Building Plans	537 410	139 582
Fees : Burial	183 572	135 126
Fees : Sewerage Plans	-412	231 660
Fees : Photocopies	152 252	132 068
Legal Fees	19 117	99 382
Licences : Trade		113 248
Notice Processing Cost		93 307
Rates Clearance Certificates	240 203	209 502
Reconnection Fees : Non Payment	335 618	437 758
Sale of Plots - Cemetery	78 898	78 030
Sale of Livestock	97 375	109 956
Sale of Tender Documents	341 735	738 901
Sundries & Other	1 534 175	1 295 238
	5 363 872	6 398 831

34. Retirement Benefit Information

Defined Contribution Plan

The following are defined contribution plans. These are not treated as defined benefit plans as defined by IAS 19, but are accounted for as defined contribution plans. This is in line with the exemption in IAS 19 par.30 which states that where information required for proper defined benefit plan accounting is not available in respect of multi-employer and state plans, these should be accounted for as defined contribution plans. This municipality has been unsuccessful in obtaining the necessary information to support proper defined benefit plan accounting due to restrictions imposed by the multi-employer plan. It is therefore deemed impracticable to obtain this information at a suitable level of detail.

Natal Joint Municipal Pension Fund (Superannuation)

The total rate of contribution by the municipality, including the surcharge, is 31,13% (21,63% plus the surcharge of 9,5%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012, which is subject to change.

Natal Joint Municipal Pension Fund (Retirement)

The total rate of contribution by the municipality, including the surcharge, is 34,12% (18,37% plus the surcharge of 17,5% less 1,65%) of pensionable salaries and the surcharge is for a period of 8 years with effect from 1 August 2012.

Natal Joint Municipal Provident Fund

The total rate of contribution by the municipality of pensionable salaries varies with 9,75%, 13,65% and 18,00% of pensionable salaries.

35. Councillor's Arrear Consumer Accounts

No Councillor(s) had arrear accounts over 90 days during the financial period ending 30 June 2018.

36. Related Parties

Key Management Personnel and Councillors Remuneration

Remuneration of Key Management Personnel and Councillors is set out in Notes 24 and 25 respectively to the Financial Statements.

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37. Risk Management

Financial Risk Management

The municipality's activities exposes it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects of the municipality's financial performance.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, municipality treasury maintains flexibility in funding by maintaining availability under committed credit lines.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash Flow forecasts are prepared and utilised borrowing facilities are monitored.

Interest Rate Risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by management. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards.

Credit guarantee insurance is purchased when deemed appropriate.

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38. Contingencies

38.1 Contingent Liabilities

The Municipality identified the following contingent liabilities:

Claim for Damages

The Municipality was sued for damages for allegations of unlawful arrest and defamation.
The State Attorney's Office is dealing with this matter.
Case No. 11853/2015

500 000

500 000

The Municipality was sued for motor vehicle damages.
The Municipality is defending the claim.
Case No. 1332/2015

34 863

The Municipality was sued for motor vehicle damages.
The plaintiff has filed for judgement and the court has not granted it as yet.
Case No. 520/2016

21 010

The Municipality was sued for damages involving a minor falling into a trench.
The Municipality is defending the claim and the matter has not been set down for trial as yet.
Case No. 9222/2010

985 000

985 000

The Municipality was sued for outstanding payments to a service provider.
The Municipality is defending the claim and the case is at discovery stage, and awaiting trial.
Case No. 6040/2015

1 900 000

1 900 000

The Municipality was sued for damages to private property by a tree situated on municipal property.
The claim is currently being actioned by the Municipality's Insurers.
Case No. 217/2017

6 385

3 385 000

3 447 258

38.2 Contingent Assets

The Municipality identified the following contingent asset:

A case of alleged fraudulent transactions and theft of money, during the month of January 2016 and prior months, by a Cashier in the Revenue Section in the Department of Finance, had been detected and reported.

1

465 181

A case of fraud was opened at the South African Police Services on 3 May 2016 as per Case No. 32/5/2016. The South African Police Services charged the former employee with fraud and the case was settled on 11 June 2018. The former employee has entered into an agreement to repay the full amount over a period of 5 years to the Municipality, as part of the sentence.
The Municipality has raised a debtor for this amount in June 2018.

1 465 181

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39. Budget Information

The budget is approved on an accrual basis by nature and vote classification. The approved budget covers the period from 1 July 2017 to 30 June 2018.

The budget and accounting bases are the same, both are on the accrual basis. The financial statements are prepared using a classification on the nature of income and expenses in the statement of financial performance.

Refer to Appendix C for more detail on budget and actual information with an explanation of material differences between the budget and actual amounts by nature classification.

Refer to Appendix D for classification of actual information by vote.

40. Change in Accounting Estimate

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in accordance with the Standard of GRAP on accounting policies, changes in accounting estimates and errors.

The Municipality has assessed the remaining useful lives of property, plant and equipment which resulted in a change of certain asset's remaining useful lives.

The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 0 for the current period.

Infrastructure Assets	31 036 302
Community Assets	27 378 701
Other Assets	15 402 741
	<u>73 817 744</u>

41. Key Sources of Estimation Uncertainty and Judgements

The following areas involve a significant degree of estimation uncertainty:

Useful lives and residual values of property, plant, and equipment	1 867 016 221	1 960 743 149
Recoverable amounts of property, plant and equipment	51 317 157	45 388 070
Provision for rehabilitation of landfill site (discount rate, no. of years, amount of cash flows)	28 178 688	29 897 013
Present value of post retirement benefit obligation	9 617 985	8 464 580
Provision for performance bonus	1 357 666	700 141
Provision for doubtful debts	222 321 036	183 620 426
Impairment of assets	-486 076	30 384 768
Investment property	276 636 014	186 942 893
Inventory assets held for sale	26 947 152	23 454 462

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment of assets	-486 076	30 384 768
Provisions	274 995 859	229 708 637

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42. Correction of Error

During the year, the Municipality conducted a verification and condition assessment on Property, Plant and Equipment, Inventory held for sale, Investment Property, Intangible and Heritage Assets.

During this exercise the Municipality found assets that were incorrectly reflected / not reflected on the current registers, or disclosed incorrectly.

Adjustments were also made in respect of Trade and Other Payables and Receivables from Non-Exchange Transactions for errors identified on Trade Creditors and Traffic Fines respectively related to prior year opening balances.

The Municipality rectified these errors retrospectively.

The cumulative effect on the 2018 Opening Balances are as follows :

Statement of Financial Position

Trade and Other Payables	12 754 921
Receivables from Non-Exchange Transactions	11 024 951
Inventories	-1 625 893
Investment Property	-98 225 929
Heritage Assets	401 000
Property, Plant and Equipment	426 665 810
Intangible Assets	-781 365
Accumulated Surplus	-350 213 496

The cumulative effect on the comparative amounts for 2018 are as follows :

Statement of Financial Position

Investment Property	83 288 016
Property, Plant and Equipment	32 872 766
Intangible Assets	5 228 206
Receivables from Non-Exchange Transactions	30 277

Statement of Financial Performance

Depreciation	-32 187 654
Contracted Services	-5 228 206
Bad Debts	295 096
Fines	-325 373
Gain / (Loss) on sale/disposal of assets	-685 111
Gain / (Loss) on fair value adjustment	-83 288 016

Alfred Duma Local Municipality
APPENDIX A

SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2018 (Unaudited)

EXTERNAL LOANS				Balance at 1 July 2017	Received	Redeemed or Written Off	Balance at 30 June 2018
				R	R	R	R
LONG-TERM LOANS							
	Interest Rate	Loan Ref.	Redeemable				
Absa Bank - Tsakane Electrification	9.10%	A1	Feb 2026	4 136 698	-	328 931	3 807 767
DBSA - Indaka	5.00%	A2	Sept 2028	3 145 748	-	208 242	2 937 506
TOTAL EXTERNAL LOANS				7 282 446	-	537 172	6 745 273

Alfred Duma Local Municipality
APPENDIX B

ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2018 (Unaudited)

	Cost			Capital Under Construction			Accumulated Depreciation			Impairment		
	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Disposals / Write-Off / Transfers	Closing Balance	Opening Balance	Additions	Closing Balance	Carrying Value
Infrastructure												
Electricity	350 022 772	5 555 723	-773 539	354 804 955	-	3 105 548	-	3 105 548	136 958 519	7 214 213	-155 864	211 511 679
Roads	1 785 751 073	20 319 133	1 808 070 207	1 806 070 207	2 591 008	31 823 280	-2 202 258	32 212 040	864 759 862	109 091 740	-512 928	844 250 338
Street Furniture	9 597 566	111 813	-1 467 862	8 241 507	-	-	-	861 649	4 586 096	453 875	26 852	3 791 697
Solid Waste	50 132 732	5 823 087	-	56 061 819	-	-	-	-	-	-	-	56 923 468
Stormwater	175 077 940	-	-	175 077 940	-	-	-	-	32 355 874	2 134 981	-	140 597 105
	2 370 582 073	31 915 757	-2 241 401	2 400 256 429	2 591 008	35 790 488	-2 202 258	36 178 238	1 036 640 351	118 894 789	-641 740	1 257 064 258
Community Assets												
Buildings	298 512 865	10 304 526	-	308 817 390	30 600 598	-	-4 760 259	25 840 338	140 339 005	14 392 288	-	179 926 436
Recreation Facilities - Parks	105 100 616	-	-135 789	104 964 827	-	1 358 826	-	1 358 826	50 335 947	3 590 268	-17 828	46 812 062
	403 613 480	10 304 526	-135 789	413 782 217	30 600 598	1 358 826	-4 760 259	27 199 164	190 674 952	17 982 554	-17 828	226 738 496
Other Assets												
Buildings	107 235 611	25 500	-	107 261 311	-	-	-	-	68 323 717	13 747 307	-	25 190 288
Computer Equipment	21 339 673	3 005 628	-2 577 571	21 767 731	-	-	-	-	8 981 085	2 958 216	-245 285	13 322 065
Furniture & Office Equipment	19 632 713	303 187	-5 093 976	14 851 924	-	-	-	-	8 489 789	1 923 044	41 134	8 145 036
Motor Vehicles	87 045 755	9 898 458	-1 384 492	76 669 720	-	-	-	-	37 534 644	9 256 900	-17 544	29 569 794
Plant & Equipment	30 673 845	186 432	-6 920 741	23 939 537	-	-	-	-	12 585 951	3 592 841	-728 211	11 598 114
	245 927 597	13 518 206	-15 966 781	243 479 023	-	-	-	-	133 925 166	31 477 308	-1 484 924	87 845 295
Land Assets												
Land with Buildings	10 437 000	-	-	10 437 000	-	-	-	-	-	-	-	10 437 000
Vacant Land	281 182 881	-	-6 251 811	284 931 170	-	-	-	-	-	-	-	284 931 170
	301 619 881	-	-6 251 811	295 368 170	-	-	-	-	-	-	-	295 368 170
Total	3 321 743 132	55 738 489	-24 595 782	3 352 885 838	33 191 605	37 149 313	-8 962 517	63 378 402	1 363 240 469	168 354 861	-2 144 492	1 867 016 221

Alfred Duma Local Municipality
APPENDIX C

REFER TO NOTE 39

STATEMENT OF BUDGET AND ACTUAL INFORMATION AS AT 30 JUNE 2018 (Unaudited)

Description By Nature	Budget R	Budget Adjustments (I.L.O. s28 & s31 of the MFMA) R	Virement (I.L.O. Council Approved Policy) R	Approved Annual Budget R	Actual R	% Variance R	Explanation of Significant Variances Actual versus Budget
Financial Performance							
Property Rates	166 863 672	4 790 407	-	171 654 079	174 536 032	101.68%	
Property Rates - Penalties & Collection Charges	5 569 068	14 167 473	-	19 736 541	18 726 756	94.88%	
Services Charges	333 631 692	(1 912 503)	-	331 719 189	332 059 518	100.10%	
Rental of Facilities and Equipment	2 787 636	254 615	-	3 042 251	2 879 758	97.95%	
Interest Earned - External Investments	15 076 340	(1 364 731)	-	13 711 609	15 236 453	111.12%	Unspent grant funds were invested and kept in call accounts to attract interest
Interest Earned - Outstanding Debtors	2 738 576	1 504 618	-	4 241 194	4 847 466	109.58%	
Fines	10 660 692	1 980 921	-	12 621 613	9 895 140	78.40%	Reduction in Traffic Fines issued due to capacity constraints
Licences and Permits	6 047 124	(893 576)	-	5 153 548	5 544 282	107.58%	
Transfers and Grants Recognised - Operational	212 960 000	9 768 429	-	222 728 429	220 037 253	98.79%	
Other Income and Profit on Fair Value Adjustments	3 652 936	319 940	-	3 972 876	97 864 872	2456.29%	Investment properties values were adjusted I.L.O. fair values
Total Revenue (Excl. Capital Transfers & Contributions)	759 985 736	28 595 593	-	788 581 329	881 327 531	111.76%	
Employee Related Costs	274 251 828	(27 705)	(17 000)	274 207 123	259 032 032	94.47%	
Remuneration of Councillors	24 739 116	193 178	-	24 932 294	24 350 926	97.67%	
Bad Debts	37 662 072	16 421 769	-	54 083 841	42 188 639	78.01%	Reduction in Bad Debt Provision in terms of Recoverability of Outstanding Debtors
Depreciation and Amortisation Expense	69 531 072	105 261 861	-	174 792 933	169 372 713	96.90%	
Finance Costs	492 756	18 777	-	511 533	513 446	100.37%	
Bulk Purchases	204 141 924	4 691 874	-	208 833 798	208 831 186	100.00%	
Contracted Services	14 929 320	3 911 321	(977 900)	17 862 741	34 242 732	191.70%	
Impairment Loss	1 943 316	756 684	-	2 700 000	(486 076)	-18.00%	Additional security services required for Councillors and Officials and for Sites
Loss on Disposal of PPE	-	-	-	-	5 817 036	0.00%	Judgements and Estimations are used to determine Impairment of PPE
Inventories: Write-down to Net Realisable Value	-	-	-	-	(273 963)	0.00%	
Other Expenditure	155 150 886	3 384 763	994 900	159 530 551	148 133 719	92.86%	
Total Expenditure	782 842 292	134 602 522	-	917 444 814	891 722 370	97.20%	
Surplus/(Deficit)	(22 856 556)	(106 006 929)	-	(128 863 485)	(10 394 840)	8.07%	
Transfers Recognised - Capital	77 749 000	(11 607 273)	-	66 141 727	62 749 000	94.87%	
Contributions Recognised - Capital	-	-	-	-	-	0.00%	
Surplus/(Deficit) After Capital Transfers & Contributions	54 882 444	(117 614 202)	-	(62 721 758)	52 354 160	-83.47%	
Capital Expenditure and Funds Sources							
Capital Expenditure							
Transfers Recognised - Capital	77 749 000	(11 607 273)	-	66 141 727	62 749 000	94.87%	
Public Contributions and Donations	-	-	-	-	-	0.00%	
Borrowing	-	-	-	-	-	0.00%	
Internally Generated Funds	11 888 997	9 923 213	-	21 812 210	17 247 198	79.07%	Underpinning on own capital funding was as a result from prioritising grant funded projects to prevent underpinning on grants for the financial period
Total Sources of Capital Funds	89 637 997	(1 684 060)	-	87 953 937	79 996 188	90.95%	

Alfred Duma Local Municipality

APPENDIX D

SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE (Unaudited)

	Actual Income R	Actual Expenditure R	Surplus / (Deficit) R
Municipal Manager & Council	445 385 460	132 591 366	312 794 094
Corporate Services	735 675	18 850 973	-18 115 298
Community Services	92 936 298	192 611 730	-99 675 432
Finance	4 521 432	26 249 299	-21 727 867
Infrastructure & Services	391 360 882	485 868 814	-94 507 932
Development, Planning & Human Settlement	9 136 784	35 550 188	-26 413 404
Total	944 076 531	891 722 370	52 354 161

Alfred Duma Local Municipality

APPENDIX E

DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (Unaudited)

Name of Grants	Name of Organ of State	Receipts	Expenditure	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	
				Yes	No
		R	R		
Development, Planning and Shared Services	Dept of Economic Development	-	400 000	Yes	
Equitable Share	National Government	189 993 252	189 993 252	Yes	
Expanded Public Works Programme	National Government	3 347 000	3 347 000	Yes	
Housing Accreditation Funds	Dept of Human Settlement	1 855 251	223 325	Yes	
Housing Projects	Dept of Human Settlement	32 369 002	2 599 675	Yes	
Integrated National Electrification Programme	National Government	15 000 000	15 000 000	Yes	
Ladysmith Airport	Dept of Economic Development	-	2 000 000	Yes	
Ladysmith Black Mambazo	Dept of Economic Development	139 399	-	Yes	
Municipal Demarcation Transition Grant	COGTA	8 280 000	8 280 000	Yes	
Municipal Finance Management Grant	National Government	3 600 000	3 600 000	Yes	
Municipal Infrastructure Grant	National Government	62 749 000	62 749 000	Yes	
Museum Subsidy	Dept of Arts & Culture	183 000	183 000	Yes	
Provincialisation of Libraries	Dept of Arts & Culture	4 198 000	4 198 000	Yes	
Recapitalisation of Libraries	Dept of Arts & Culture	776 000	776 000	Yes	
Records Management	COGTA	-	200 000	Yes	
Scheme Support Grant (LUMS)	COGTA	-	279 440	Yes	
Small Business Development	Small Business Development	4 987 198	4 987 198	Yes	
Sports Facilities	Department of Sport & Recreation	1 189 500	943 171	Yes	
Translation & Promulgation of By-Laws	COGTA	-	200 000	Yes	
Waste Recycling Centre / Logistics Hub	COGTA	-	426 867	Yes	
		328 666 601	300 385 928		